# Opening Statement of Chairman James Lankford
# Subcommittee on Energy Policy, Health Care, and Entitlements
# "The Effects of Rising Energy Costs on American Families and Employers"
## February 14, 2014

The nation and our economy run on energy. The cost of energy rises and falls based on the cost of fuel and capital costs, but the American consumer has a sense that they are being squeezed. This hearing will work to address the changing cost of energy and the direction of energy production in America.

According to recent polling, energy costs are the most important financial issue facing American families today. A Gallup poll from late last month shows that 79% percent of Americans said that the price of energy, including the price of gasoline is hurting their finances. More specifically, the prices of electricity and gasoline are so high that they are impacting American families' finances more than food, taxes, or even healthcare, according to the poll.

Electricity prices are projected to increase to a national average of 12 cents per kilowatt hour, a 40% increase since 2001. Gasoline prices account for the largest single increase in consumer energy costs over the past decade – the average American family will spend an estimated $3,730 a year on gasoline in 2013, compared to $1,680 a year in 2001.

Since 2001, energy cost impacts on American families have been steadily increasing and are now at their highest levels in over 10 years. On average American families now pay 20% of their income towards energy costs. The poorest Americans, those making less than $24,000 a year, are often forced to make choices between "food, medicine or Edison." In fact, those who earn less than $10,000 a year will pay an estimated average of 77% of their income towards energy.

Businesses and especially small businesses are also experiencing the adverse impacts of higher energy costs. According to the U.S. Energy Information Administration, manufacturers spend on average $136 billion a year on energy and commercial buildings spend $108 billion a year. Small businesses are more susceptible to negative impacts of rising energy costs. The rising costs result in depressed inventories, reduced hiring, and ultimately higher prices for consumers. These outcomes are not conducive to growing the American economy and getting people back to work. These energy-intensive industries are "building block industries" because they produce the components that are used in the rest of industrial, manufacturing, and construction sectors. These industries see energy as a percentage of costs as high as 85%.

The rise in horizontal drilling technology, hydraulic fracturing, and other advanced recovery methods has vastly increased the potential for recoverable domestic oil and natural gas in places like the Bakken Shale Formation in North Dakota. However, efficient use and production of North American petroleum are facing cumbersome obstacles from the federal government. These range from restrictive policies for oil production on federal lands to the continued rejection of more pipeline infrastructure, such as the Keystone XL pipeline. State regulatory primacy is also being challenged in all aspects of energy production. These hindrances harm the ability of families and businesses to cheaply access vast reserves of energy.

Both the Bureau of Land Management and EPA appear to be moving closer to a regulatory framework for hydraulic fracturing, the outcomes of which are unclear to oil and gas producers and are conducted under the shroud of a looming EPA study and an interagency working group sponsored by the White House. This is being done even though states already have the resources, experience, and capability to do this themselves.

When it comes to gasoline, the EPA mandated framework for the sale of differently blended versions of fuel across the United States means that gasoline supplies often cannot be shipped between cities even within the same state. These restrictions make competition more difficult and thus prevent lower prices for consumers. As has been well-documented by this Committee in the previous Congress, the EPA has promulgated a series of rules which make make cheap and reliable coal-fired electricity more expensive and prevent the construction of new coal-fired plants. In many cases the EPA failed to address the cumulative impacts of all of its new regulations and thus did not determine the true costs that would fall on families and businesses already struggling with a tough economy.

Often lost in the debate between fossil fuels and renewable resources is nuclear power. This technology, developed in the United States, provides affordable, efficient, around-the-clock electricity to millions of Americans. Contrary to public opinion, it also has one of the best safety records of any power source. The U.S. has an opportunity to rejuvenate the once vibrant nuclear industry. For the first time in decades, new plants are under construction. Further, new technologies, such as small modular reactors, offer tremendous opportunities in the global market. This opportunity will be lost if political and regulatory uncertainty impede domestic development and innovation in this industry.

America has vast domestic energy resources. In order to achieve affordable energy, Americans should have access to this energy through all sources: coal, oil, gas, nuclear, and renewables. However, the costs of these energy sources to families and businesses must be taken into account when providing subsidies to promote some and promulgate regulations to limit others.

Today, it is right to take a closer look at the cost and opportunities for American energy.